



Pre-pay a Child's Tuition

**PREPAID AFFORDABLE COLLEGE TUITION
2008 Enrollment Kit**



Make a pact...a college pact for life.

PACT is offered by the Office of State Treasurer Kay Ivey.

New Tax Incentive for College Savings

Parents, grandparents, or any person making contributions to either a PACT or an Alabama Higher Education 529 Fund account can now claim up to a \$5,000 tax deduction per taxpayer on their state income tax thanks to legislation endorsed by Treasurer Ivey and the Board of Directors that governs these two programs.

This tax deduction is a terrific incentive for Alabama families to save for college, and makes the burden of affording a college education a little easier.

Contributions made on or after January 1, 2008 can be deducted.





Pre-pay a Child's Tuition

THE PREPAID AFFORDABLE COLLEGE TUITION PROGRAM (PACT)

The PACT Program is a Section 529 college savings program administered by State Treasurer Kay Ivey's office. PACT is based on a simple concept—pay today for tomorrow's tuition.

During the enrollment period of October through December, you may purchase a **four-year** contract or one or more **one-year** contracts for the payment of a child's college tuition.

Features of the PACT Program include:

- ✓ Use of benefits at in-state public, private or out-of-state institutions
- ✓ Flexible payment options
- ✓ Online access to account information
- ✓ Ability to transfer benefits to another member of the family
- ✓ Refund availability
- ✓ Simple process to use benefits

Other important questions are answered in this brochure. If you have questions, the PACT staff will be happy to talk with you (800-252-7228 or 334-242-7514), or you can visit our website at www.800alapact.com.

DID YOU KNOW...

College graduates have a greater earning potential than high school graduates. The average Alabamian in 2004 with a high school degree made \$22,223. The same year, the average Alabamian with a bachelor's degree made \$40,842.*

*The 2005 American Community Survey



Enroll in PACT at www.800alapact.com

Affordability of Higher Education

- ✓ The projected Alabama public college tuition for a student entering college in the year 2024 is \$85,104.¹
- ✓ The average total tuition and fees of four-year public colleges and universities has jumped 35% from 2001-02 to 2006-07 in inflation-adjusted dollars.²
- ✓ On average, grants from all sources plus federal tax credits and deductions only cover about 53% of tuition.³
- ✓ Students graduating from a public four-year school in 2003-04 had a median debt level of \$15,500. 62% of students at public four-year schools graduate with debt.⁴
- ✓ In a survey of 200 college student financial aid administrators, 92% of participants reported families overestimate the amount of scholarships and grants available and 97% stated parents have a false sense of security that colleges will help them cover the costs.⁵
- ✓ Nearly all of 1,358 parents (95%) surveyed by Matthew Greenwald & Associates, Inc. intend to help their children pay for college, but only one in four (27%) participants were very confident they would reach their college savings goals.⁶

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DID YOU KNOW...

*College graduates enjoy higher levels of savings and better consumer decision making. They also enjoy more hobbies and leisure activities and provide improved quality of life for their children.**

* Institute for Higher Education Policy



¹ "Education Pays Update" 2005

^{2,3} Trends in College Pricing 2006

⁴ Trends in Student Aid 2005

^{5,6} Matthew Greenwald & Associates, Inc. 2006

Getting Started

To purchase a contract, simply fill out an application online or the attached application and return it with the non-refundable \$100 application processing fee. To qualify for this year's rate, your application should be postmarked by December 31, 2008. Students who are currently in the ninth grade or younger are eligible to be enrolled in the program, as are those who will be born before September 1, 2009.

PACT Benefits

Using PACT benefits is simple—the PACT program makes payments directly to the institution. The PACT **four-year** contract covers in-state public tuition for up to 128 semester hours, or the equivalent at institutions on a quarter or other academic term basis. PACT will also pay qualified fees for 8 semesters, or the equivalent number for colleges and universities on another academic term basis. The PACT **one-year** contract covers in-state public tuition for up to 32 semester hours, or the equivalent at institutions on a quarter or other academic term basis. PACT will also pay qualified fees for 2 semesters, or the equivalent number for colleges and universities on another academic term basis.

A PACT student may transfer from one college to another and unlimited transfers are permitted. If a student chooses to attend a private or out-of-state institution, a weighted average of tuition and qualified fees at the Alabama four-year public institutions, calculated annually, will be paid to the private or out-of-state school. Each semester the institution will invoice PACT and payment will be made based on this average.

Tuition is defined as the basic undergraduate tuition charged by an Alabama public institution, as certified by the institution. Qualified fees are those designated by the PACT Board. A list of these fees is available by visiting our website at www.800alapact.com.

Contract Ownership

Only one purchaser may be the owner of the contract. PACT is a voluntary program and the contract can be cancelled at any time by the purchaser. If the contract is cancelled, the owner is entitled to the refund. A successor account owner may be named. This individual would become the account owner upon the death of the original purchaser.

Contract benefits can be transferred to an immediate family member. However, the benefits must be used within the same ten years as the original beneficiary and at least fifteen hours of benefits must be remaining.

Contract Payments

Three types of payment plans are available for both contract options:

1. A single, lump-sum amount.
2. A five-year plan of 60 monthly payments. This plan is only available for students in the seventh grade or below.
3. An extended plan of monthly payments until the student reaches college age.

Select a payment plan on your application. Once your application has been processed, the PACT program will send payment instructions. The first payment under any of the payment options will be due on February 1, 2009. Monthly payments may be made by check with a coupon book or by automatic deductions from your bank account.

You may also ask your employer to establish an automatic payroll deduction for your PACT payments.

You may pay off the balance remaining on your contract at any time without penalty. The pay off amount will be less than the total of your remaining monthly payments. The payment due date for monthly payments is the 1st day of each month. Someone other than the owner may make contract payments. Annually, the PACT program provides a statement of your account.

DID YOU KNOW...

Higher levels of education are correlated with higher levels of civic participation, including volunteer work, voting, and blood donation. Among college graduates, the volunteer rate is 46%, over twice the 22% rate for high school graduates.*

*Education Pays 2004: The Benefits of Higher Education for Individuals and Society



ONE-YEAR CONTRACT OPTION

The PACT Board of Directors is proud to offer a one-year contract option to help family members interested in saving for part of a child's future college education. This allows different members of a family the opportunity to open an account in the name of the same child. Multiple one-year contracts can be purchased for the same student and the contracts will be used in the order in which they are purchased.



CONTRACT PRICES

2008 Prices for One-Year Contracts

Current Age/Grade*	Projected College Entrance Date	Lump-Sum Payment	60 Monthly Payments**	Extended Payments**	Number of Extended Payments**
9th Grade	2012–2013	\$ 6,856	NA	\$ 195	40
8th Grade	2013–2014	\$ 6,831	NA	\$ 155	52
7th Grade	2014–2015	\$ 6,800	\$ 138	\$ 131	64
6th Grade	2015–2016	\$ 6,769	\$ 137	\$ 114	76
5th Grade	2016–2017	\$ 6,738	\$ 137	\$ 102	88
4th Grade	2017–2018	\$ 6,708	\$ 136	\$ 93	100
3rd Grade	2018–2019	\$ 6,677	\$ 135	\$ 86	112
2nd Grade	2019–2020	\$ 6,646	\$ 135	\$ 80	124
1st Grade	2020–2021	\$ 6,616	\$ 134	\$ 75	136
Age 5	2021–2022	\$ 6,586	\$ 134	\$ 71	148
Age 4	2022–2023	\$ 6,556	\$ 133	\$ 68	160
Age 3	2023–2024	\$ 6,526	\$ 132	\$ 65	172
Age 2	2024–2025	\$ 6,496	\$ 132	\$ 63	184
Age 1	2025–2026	\$ 6,467	\$ 131	\$ 61	196
Infant	2026–2027	\$ 6,437	\$ 131	\$ 59	208
Newborn	2027–2028	\$ 6,408	\$ 130	\$ 57	220
(born between 9/1/08 and 9/1/09)					

The first payment for each plan is due no later than February 1, 2009. The Extended Payments are due monthly for the indicated number of months.

*If the beneficiary is currently in school, find his or her grade as of September 1, 2008. For purposes of this table, a beneficiary who is now in preschool or kindergarten is not considered to be in school. If the beneficiary is not in school find his or her age as of September 1, 2008. Contracts can be purchased for children who will be born before September 1, 2009, by designating “unborn” for the beneficiary name.

**To calculate the total amount you will pay for your PACT contract on a monthly payment plan, multiply the total number of payments times the monthly payment account. The total will be greater than the lump sum contract price. The interest rate for monthly accounts is 8.25%.

CONTRACT PRICES

2008 Prices for Four-Year Contracts

Current Age/Grade*	Projected College Entrance Date	Lump-Sum Payment Date	60 Monthly Payments**	Extended Payments**	Number of Extended Payments**
9th Grade	2012–2013	\$ 25,650	NA	\$ 727	40
8th Grade	2013–2014	\$ 25,538	NA	\$ 579	52
7th Grade	2014–2015	\$ 25,420	\$ 512	\$ 487	64
6th Grade	2015–2016	\$ 25,303	\$ 510	\$ 423	76
5th Grade	2016–2017	\$ 25,187	\$ 508	\$ 378	88
4th Grade	2017–2018	\$ 25,070	\$ 505	\$ 343	100
3rd Grade	2018–2019	\$ 24,955	\$ 503	\$ 316	112
2nd Grade	2019–2020	\$ 24,840	\$ 501	\$ 294	124
1st Grade	2020–2021	\$ 24,725	\$ 498	\$ 277	136
Age 5	2021–2022	\$ 24,611	\$ 496	\$ 262	148
Age 4	2022–2023	\$ 24,498	\$ 494	\$ 249	160
Age 3	2023–2024	\$ 24,385	\$ 492	\$ 238	172
Age 2	2024–2025	\$ 24,272	\$ 489	\$ 229	184
Age 1	2025–2026	\$ 24,160	\$ 487	\$ 221	196
Infant	2026–2027	\$ 24,049	\$ 485	\$ 214	208
Newborn (born between 9/1/08 and 9/1/09)	2027–2028	\$ 23,938	\$ 483	\$ 208	220

The first payment for each plan is due no later than February 1, 2009. The Extended Payments are due monthly for the indicated number of months.

*If the beneficiary is currently in school, find his or her grade as of September 1, 2008. For purposes of this table, a beneficiary who is now in preschool or kindergarten is not considered to be in school. If the beneficiary is not in school find his or her age as of September 1, 2008. Contracts can be purchased for children who will be born before September 1, 2009, by designating “unborn” for the beneficiary name.

**To calculate the total amount you will pay for your PACT contract on a monthly payment plan, multiply the total number of payments times the monthly payment account. The total will be greater than the lump sum contract price. The interest rate for monthly accounts is 8.25%.

**DISCLOSURE STATEMENT AND PROGRAM DESCRIPTION OF THE ALABAMA
PREPAID AFFORDABLE COLLEGE TUITION (PACT) PROGRAM
2008 ENROLLMENT PERIOD**

This Disclosure Statement provides important information concerning certain material risks associated with the purchase of PACT Contracts. Contract Purchasers are strongly urged and expected to read this Disclosure Statement in its entirety before purchasing a PACT Contract.

The obligations of PACT are limited obligations payable only from proceeds received from PACT Contract sales and earnings from investment performance. Neither the Contract Purchaser nor Beneficiary has any recourse against the Treasurer, the Board, the PACT Program, any other state or federal government agency, or the State of Alabama in connection with any obligations arising out of the PACT Contracts. The obligations of the PACT Contract are not backed by the full faith and credit of the State of Alabama.

This disclosure statement and program description (the "Disclosure Statement") of the Alabama Prepaid Affordable College Tuition Program ("PACT") is provided in connection with the offering for purchase of Prepaid College Tuition Contracts ("PACT Contracts").

Those persons who are not considering the purchase of a PACT Contract during the 2008 Enrollment Period may gain an understanding of PACT by reading this Disclosure Statement. However, persons desiring to purchase a PACT Contract in a subsequent year should be aware that the terms and features of PACT and the PACT Contract in any subsequent year may differ, even materially, from the terms and features described in this Disclosure Statement. Information in this Disclosure Statement is believed to be accurate as of its date and is subject to change without notice. For PACT Contracts purchased after 2004, each Disclosure Statement supersedes and replaces any earlier dated Statement. Contract Purchasers also should be aware and consider that no representations or assurances are made by this Disclosure Statement or otherwise, that PACT Contracts will be offered in any subsequent year.

PACT PROGRAM INTRODUCTION

Pursuant to the Code of Alabama, Section 16-33C-1 through 16-33C-13, the Alabama Legislature created the PACT Program and Trust Fund by enactment of the Wallace-Folsom Prepaid College Tuition Trust Fund Act on May 17, 1989, and has subsequently amended it (the "Act"). Under the Act, PACT is an agency and instrumentality of the State of Alabama. The purpose of PACT is to allow natural persons who are at least 19 years of age and citizens or residents of the United States and certain organizations to prepay a specific number of undergraduate semester hours of tuition and qualified fees of a Beneficiary at an Eligible Educational Institution through the purchase of PACT Contracts.

The Treasurer and the Board

State Treasurer Kay Ivey is Chairperson of the PACT Board. Under the Act, the ten-member Board oversees the administration of PACT and its members act as the trustees of the PACT Trust Fund. The Board has delegated day-to-day administration of PACT to the Treasurer.

The PACT Trust Fund

The PACT Trust Fund ("Trust Fund") holds the assets of PACT. The assets are derived from PACT Contract payments made by Purchasers, and earnings thereon, if any. The purpose of the Trust Fund is to pay future PACT Contract benefits and administrative expenses. For investment purposes, assets in the Trust Fund are commingled and are not segregated by individual PACT Contract.

The PACT Administrative Fund

The PACT Administrative Fund ("Administrative Fund") holds administrative fees paid by Contract Purchasers. The purpose of the Administrative Fund is to pay outstanding operating expenses of administering PACT. Trust Fund principal and earnings may be directly used to supplement balances in the PACT Administrative Fund, as the board deems necessary.

Purchasing a PACT Contract

Applications for the purchase of a PACT Contract on behalf of a Beneficiary are available at the State Treasurer's office located at the State Capitol, 600 Dexter Avenue, Suite S106, Montgomery, Alabama 36104 or online at www.800alapact.com. To purchase a PACT Contract, a Contract Purchaser must file an Application with the State Treasurer, who is authorized to enter into PACT Contracts with Contract Purchasers on behalf of the Board. By completing and signing an application, the Contract Purchaser acknowledges that he/she has received and read this Disclosure Statement and agrees to be bound by this Disclosure Statement and the Program Rules.

PACT Contract Types

The PACT Contracts available are the Four-Year University Contract and the One-Year Contract. Risk factors are included herein. Contract Purchasers are strongly advised to thoroughly read the Program Rules.

PACT Contract Payments and Distributions

PACT Contract payments can be made by check, automatic deduction from a checking or savings account, or payroll deduction (where available). Distributions for the payment of PACT Contract benefits will only be made to an Eligible Educational Institution after receipt of an acceptable invoice.

PACT Accounts

A PACT account is established for each PACT Contract and Beneficiary. Once an account is paid in full and the projected enrollment year of the original Beneficiary has been reached, benefits are made available. Each account is established with a specific number of semester hours of Tuition and Qualified Fee payments. The Beneficiary has ten years from the Projected Enrollment Year to use PACT Contract benefits, with an extension granted for active military service.

PACT Contract Interpretation

All PACT Contracts will be construed and interpreted according to the laws of the State of Alabama.

DEFINITIONS

“Beneficiary” means the individual originally named in the PACT Contract (or substituted) to receive the PACT Contract benefits.

“Board” means the ten-member Board of Trustees of the PACT Program.

“Cancellation” means discontinuation of the Contract Purchaser’s participation in the PACT Program and the Beneficiary’s right to receive PACT Contract benefits.

“Code” means the Internal Revenue Code of 1986, interpreted in accordance with the regulations promulgated thereunder, as amended from time to time.

“Contract Purchaser” means any adult person, corporation, trust, charitable organization or other entity eligible to purchase a PACT Contract, and who is obligated to make PACT Contract payments in accordance with the PACT Contract. The Contract Purchaser (and not the Beneficiary or any person or entity that makes a payment) retains ownership of the PACT Contract.

“Eligible Educational Institutions” generally includes accredited, post-secondary educational institutions offering credit toward a bachelor’s degree, an associate’s degree, a graduate level or professional degree, or another recognized postsecondary credential, and certain proprietary institutions and post-secondary vocational institutions as set forth in the Code. These institutions must be eligible to participate in certain federal student financial aid programs.

“Immediate Family Member” means any of the following relations of the Beneficiary as defined under the Code:

A son or daughter, or descendant of either

A stepson or stepdaughter

A brother, sister, stepbrother, or stepsister

The father or mother, or an ancestor of either

A stepfather or stepmother

A son or daughter of a brother or sister

A brother or sister of the father or mother

A son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law or sister-in-law

The spouse of the Beneficiary or the spouse of any of the foregoing individuals;
or a first cousin.

“PACT Contract” consists of the following documents: the Application signed by the Contract Purchaser, the Participation and Payment Schedule, the Disclosure Statement and PACT Rules.

“Participation and Payment Schedule” means the document defining the Projected College Entrance Date and frequency, duration, amount and due date of PACT Contract payments based on information provided by the Contract Purchaser in the Application.

“Program Rules” means the rules promulgated by the Board to implement the PACT Program that may be amended from time to time as determined by the Board.

“Projected College Entrance Date” means the academic school year following the qualified Beneficiary’s projected high school graduation as specified on the Participation and Payment Schedule and is the earliest date for the utilization of PACT Contract benefits.

“Qualified Fees” means those fees approved by the Board which are required as a condition of enrollment for all students attending the Eligible Educational Institution in which the Beneficiary is enrolled and is limited to the following: Building Fee, Facility Fee, Technology Fee, Learning Resource Fee, Administrative Fee, Registration Fee, Instructional fee, Library Fee, Bond Reserve Fee, and General University Fee..

“Qualified Tuition Program” means a higher education savings program or prepaid tuition program that qualifies for treatment under the Code.

“Tuition” means the basic undergraduate tuition charged by an Alabama public Eligible Institution, as certified by the institution.

RISK FACTORS AND OTHER CONSIDERATIONS

Certain risk factors relating to participating in PACT are described below.

No Guarantee; Not Insured. Participating in PACT entails risk of return. The Trust Fund and investments under PACT are not bank deposits, and are not debt obligations of, or insured or guaranteed by the FDIC, the State, the Board, the Treasurer, the PACT Program, or any other state or federal governmental agency. None of these entities or persons has any legal or moral obligation to ensure the ultimate payout with the respect to the purchase of a PACT Contract..

Refund: If a PACT Contract is cancelled or expires, the Contract Purchaser may request and, subject to the ability of the Trust Fund to pay a refund, receive a refund equal to the Redemption Value of the PACT Contract. The Board, in its discretion, may pay any refund in installments rather than in a lump sum in which case the total refund amount would not be immediately available to the Contract Purchaser. If the Beneficiary receives a degree and the payment of benefits does not exceed the PACT Contract purchase amount, no refund is available.

Lack of Secondary Market: No known market exists for resale of PACT Contracts.

No Assurance of Admission to Eligible Educational Institutions: Participation in PACT does not constitute a promise, commitment, or guarantee that a Beneficiary: (a) will be accepted as a student by any Eligible Educational Institution; (b) if accepted, will be permitted to continue as a student; (c) will be treated as a state resident for Tuition and Qualified Fees purposes, including Alabama resident status; (d) will graduate from any Eligible Educational Institution; or (e) will achieve any particular treatment under applicable state or federal financial aid programs. If the Beneficiary is not admitted to an Eligible Educational Institution, for any reason, or fails to register for less than the maximum number of academic credit hours for which PACT Contract benefits are payable, for any reason, the Beneficiary likely will realize less than all of the PACT Contract benefits for which he or she otherwise may have been eligible. Also, if a Beneficiary matriculates at an Alabama in-state institution and does not satisfy the institution’s residency requirements, the Beneficiary will be solely responsible for any amounts owed to the institution beyond the payment of Tuition and Qualified Fees prescribed in the PACT Contract.

Use of Benefits at Eligible Educational Institutions: If PACT Contract benefits are used at private or out-of-state institutions, payment may not cover the cost of tuition and Qualified Fees and the Beneficiary will be solely responsible for any amounts owed to the institution beyond the payment prescribed in the PACT Contract.

Termination: The PACT Contract terminates when all of the tuition hours are utilized or ten years from the original Beneficiary’s Projected College Entrance Date.

Substitution of Beneficiary: The Code allows beneficiary substitution to certain Immediate Family Members. Substitution of a Beneficiary will not result in any refund. Substitution of a Beneficiary with a Projected College Entrance Date that is earlier than the date of the Beneficiary shall require the payment of additional amounts based on actuarial calculations.

No Entitlement to Investment Returns: Contract Purchasers and Beneficiaries are not entitled to receive investment returns from the Trust Fund. Any favorable investment performance, if achieved by the Trust Fund, will enhance the likelihood that PACT’s Contract obligations will be performed, but will not result in other direct or indirect benefit to Contract Purchasers or Beneficiaries. Alabama law provides that all money held by the Trust Fund in excess of the current operational expenses of the program and the current amount of PACT’s projected future liabilities must be retained in the Trust Fund.

Inherent Uncertainty of Actuarial Projections: The Board has engaged the assistance of actuarial experts to project the ability of the Trust Fund to meet PACT's obligations and to assist the Board in establishing the pricing for new PACT Contracts each year. The Board, in consultation with its actuarial experts, has developed assumptions, monitors such assumptions as data becomes available, reviews such assumptions annually and revises as deemed necessary. Because actuarial determinations involve predictions regarding future events, no assurance can be given that such assumptions will prove to be accurate or that PACT will be able to satisfy its future obligations. Annually, the actuarial expert prepares a report detailing all assumptions. This report may be viewed on the Treasurer's website www.800alapact.com.

Investment Risks: As of March 31, 2008, assets in the Trust Fund are invested in various asset classes as follows:

Asset Class	Allocation	Target
Large Cap Domestic Equity	42%	42%
Small Cap Domestic Equity	9%	9%
International Equity	21%	21%
Domestic Fixed Income	26%	28%
Cash & Equivalents	2%	0%

Certain risks are associated with each investment class. The Board may change the amount of dollars allocated to a specific asset class, or add, eliminate or change the classes. To view the Investment Policy adopted by the Board, visit the [website www.800alapact.com](http://www.800alapact.com).

Limited Use of Qualified Distributions: Payment is made directly to the Eligible Education Institution upon receipt of an acceptable invoice from the institution for tuition and Qualified Fees. No other qualified distributions are allowed.

Status of Federal and State Laws and Regulations Governing PACT: The Act, the Rules, state and federal law, and regulations governing the operation of PACT may change in the future. In addition, Alabama law and federal law relating to the funding of higher education expenses and tax matters are also subject to change. No assurance can be given that such changes in law will not adversely affect the value of participation in PACT. No one, including the State, the Board, or the Treasurer is required to continue the operation of PACT.

Lack of Certainty/Adverse Tax Consequences: The Pension Protection Act of 2006 provides the federal income tax exclusion for qualified withdrawals from Qualified Tuition Programs. While not presently anticipated, the U.S. Congress could enact legislation that adversely affects the federal tax consequences associated with participation in Qualified Tuition Programs.

Financial Aid/Student Loans: The receipt of PACT Contract benefits by a Beneficiary may affect a Beneficiary's qualification for or receipt of financial aid. The receipt of PACT Contract benefits should not impact the Beneficiary's qualification for or receipt of merit-based financial aid. There can be no assurance, however, that the PACT Contract benefits will not be considered either explicitly or implicitly in determining whether a Beneficiary is entitled to or will receive a merit-based scholarship.

Furthermore, the receipt of or potential for receipt of PACT Contract benefits may affect the ability of a Beneficiary to receive private or student loans. Such receipts or potential for receipts may be considered financial resources which preclude the Beneficiary from receiving private or student loans, especially if the loans are in any way need-based. Such considerations may also preclude the Beneficiary from receiving more favorable interest rates or repayment options.

Other Investment Alternatives: The Board and the Treasurer make no representations regarding the appropriateness of PACT as an investment alternative. A number of other Qualified Tuition Programs, including the Alabama Higher Education 529 Fund, and other education savings and investment programs, including Coverdell Education Savings Accounts, are currently available to prospective Contract Purchasers. These programs may offer benefits, including investment options and investment control that are not available under PACT. You should evaluate PACT in the context of your overall financial situation, investment goals, time horizon, higher education goals, other resources and needs (such as liquidity), and other investments. You may want to discuss these issues with a financial and tax advisor.

ADMINISTRATIVE FEES

Application Fee	\$100
Account Maintenance Fee - Monthly	\$3
Account Maintenance Fee – Lump Sum	\$100
Cancellation Fee	\$75
Beneficiary Substitution Fee	\$55
Change of Contract Purchaser Fee	\$20
Enrollment in a Private/Out-of-State Institution Fee	\$25
Late Payment Fee	\$15
Returned Item Fee	\$15
Document Replacement Fee	\$7 per document
Change in Payment Schedule Fee	\$20

MANAGEMENT OF THE TRUST FUND

The Trust Fund is administered by a ten-member Board. The ten members of the Board are the following persons: (1) the Lieutenant Governor (an ex officio member) or his/her designee; (2) the Executive Director of the Alabama Commission on Higher Education (an ex officio member) or his/her designee; (3) a representative from the Council of College and University Presidents; (4) the State Treasurer (an ex officio member); (5) the Chancellor of the Alabama Department of Postsecondary Education (an ex officio member) or his/her designee; (6) a person appointed by the Speaker of the State House of Representatives; (7) a person appointed by the Lieutenant Governor; (8) a person appointed by the State Treasurer; (9) two persons appointed by the Governor.

No person holding a full-time office or position of employment with the State, any county or municipality in the State, any educational institution, or any instrumentality, agency, or subdivision of the foregoing, is eligible for appointment to the Board. The members of the Board serve without compensation, but are entitled to reimbursement for each day's official duties of the Board at the same per diem and travel rate as is paid to State of Alabama employees. Appointed members serve four-year terms of office and are eligible for reappointment.

For a listing of the current members of the Board, please visit www.800alapact.com.

The Board is authorized to employ private sector firms to provide investment management, accounting, recordkeeping services, actuarial services, and other services relating to PACT.

The payments received from Contract Purchasers are invested only in instruments, obligations, securities and properties that are deemed appropriate by the Board and that constitute legal investments for the investment of public funds in the State of Alabama, including legal investments for the State Treasurer, and the Alabama Trust Fund. The Trust Fund's assets are subject to market factors and fluctuations affecting their value.

FINANCIAL AUDIT

The Trust Fund's fiscal year begins on October 1 of each year and ends on September 30 of the following year. The Board has engaged the accounting firm of Mauldin & Jenkins, LLC to audit its balance sheet as of September 30, 2007, and the related statements of revenues, expenses, and changes in retained earnings and statement of cash flows for the year ended September 30, 2007. Mauldin & Jenkins, LLC has issued its independent auditor's report to the Board. A copy of such report, along with the financial statements and accompanying footnotes of the Trust Fund, are available on the treasurer's website at www.800alapact.com or by contacting the Treasurer's Office.

ANNUAL INVESTMENT RATES OF RETURN

Following are the annual rates of return for total Trust Fund investments. The annual rates of return are computed by taking into account current income, realized and unrealized gains and losses, and investment fees and expenses for the Trust Fund's aggregate investment portfolio.

12 Months ended September 30	Investment Return Percent
1991	13.8
1992	15.6
1993	14.8
1994	0.4
1995	17.4
1996	15.0
1997	26.6
1998	2.7
1999	17.9
2000	14.9
2001	-13.50
2002	-10.12
2003	17.25
2004	9.92
2005	10.64
2006	9.98
2007	15.48

SUMMARY OF VALUATION ACTUARIAL ASSUMPTIONS

Funding of PACT is derived entirely from PACT Contract payments and the investment income earned by the Trust Fund. Annually, the Board reviews the actuarial soundness of the Trust Fund. The projected amount of PACT's future PACT Contract obligations is determined by calculating expected future Alabama tuition and Qualified Fee costs based upon current costs and certain assumptions regarding future periods. Similarly, the Trust Fund's projected assets are determined by calculating expected future assets based upon the actual current value of the Trust Fund's assets and various assumptions regarding future events, such as future rates of return. The projected obligations are then compared with the projected asset values to determine if an actuarial deficit is anticipated.

The projections and valuations are based on various actuarial assumptions. Because the actuarial valuation process relies on such assumptions, actual results may differ, even materially, from the projected results based on those actuarial assumptions. No representation is made or assurance given that future investment returns of the Trust Fund will be sufficient for PACT to satisfy its current or future obligations. If a funding shortfall occurs for any reason, the State of Alabama, the Treasurer nor the Board is obligated to restore, or otherwise remedy, any such funding shortfall of the Trust Fund.

The Board engaged the firm of Actuarial Resources Corporation to render certain actuarial services. In its report to the Board, (the "2007 Actuarial Report"), the Board's actuarial consultant reviewed and recommended the assumptions underlying the analysis contained in the 2007 Actuarial Report for the purpose of projecting the expected financial results of the Trust Fund. The key assumptions underlying the actuarial analysis of the Trust Fund are reevaluated by the Board annually, in consultation with its actuarial consultants. As part of this process, the Board gathers and reviews historical data concerning these assumptions. This process has tended to confirm the reasonableness of the material assumptions. Although the Board, in consultation with its actuarial consultants, monitors and revises the actuarial assumptions, there can be no assurance that such assumptions will compare favorably to actual experience. The actuarial report may be viewed in its entirety on the Treasurer's website www.800alapact.com, or you may call the Treasurer's Office to receive a copy.

PURCHASING A PACT CONTRACT, PACT CONTRACT PAYMENTS, ACCOUNTS AND DISTRIBUTIONS –

These topics are covered in detail in the Program Rules attached to this Disclosure Statement.

SECURITIES CONSIDERATIONS

The Board has not heretofore requested a "no action" letter from the United States Securities and Exchange Commission, nor has it sought any type of ruling or advisory opinion from the Alabama Securities Commission as to whether the PACT Contracts constitute securities. PACT Contracts have not been registered under the Securities Act of 1933 in reliance on an exemption from registration available for obligations issued by a public instrumentality of a state.

TAX CONSIDERATIONS

The following discussion summarizes certain aspects of the Federal and State income, gift, estate and other tax consequences relating to PACT. This discussion does not provide individualized financial or tax advice; does not address state income taxes that may be imposed by any state other than Alabama; and does not address local taxes that may be imposed by Alabama or any other state or locality. You should consult a qualified tax advisor regarding the application of the relevant tax law to your particular financial situation.

Caveats with Respect to Tax Discussion: This summary is not exhaustive, and is not intended as tax advice. In addition, no assurance can be given that the IRS will accept the conclusions in this Disclosure Statement, or, if challenged by the IRS, that these conclusions would be sustained in court.

State of Alabama Taxes: With respect to Alabama residents, PACT Contract payments, up to \$5,000 per taxpayer per year, are deductible for Alabama income tax purposes. Earnings on the investment of PACT Contract payments are not subject to Alabama income taxes and will not be included in the Alabama taxable income of the Beneficiary or Contract Purchaser. Qualified withdrawals from PACT are exempt from taxation by the State of Alabama.

Other State and Local Tax Consequences: Contract Purchasers and Beneficiaries who are subject to taxation by jurisdictions other than Alabama should consult a qualified tax advisor to determine the state and local income, gift, estate, and other tax consequences of participation in PACT. The tax consequences of participation vary from state to state. Other Qualified Tuition Programs and education savings and investment programs may offer state tax benefits, including deductions or exclusions from income, that are not available under PACT. Depending upon the applicable state laws, favorable state tax treatment for investing in a Qualified Tuition Program may be limited to investments made in a Qualified Tuition Program offered by the Contract Purchaser's or Beneficiary's home state.

Taxable Distributions: The earnings portion of any PACT Contract cancellation refund is includible in computing the Contract Purchaser's taxable income.

Tax Penalties on PACT Contract Cancellation Refunds: The receipt of a refund by the Contract Purchaser will, except as provided below, also be subject to an additional federal income tax of 10% on the earnings portion of the refund that is included in taxable income. The additional 10% federal income tax will not apply, however, if the refund is:

- made after the death of the Beneficiary to the extent permitted by rules and regulations of the IRS,
- attributable to the Beneficiary being disabled (within the meaning of Section 72(m) (7) of the Code),
- made on account of a scholarship to the extent the amount of the refund does not exceed the amount of the scholarship,
- an amount includible in income solely because of the reduction in the amount of qualified higher education expenses attributable to the amount of such expenses taken into account in determining the allowed amount of Hope Scholarship and Lifetime Learning Credits.

Change in Beneficiary, Rollovers between Accounts, and Transfer or Rollovers Between Qualified Tuition Programs: A Contract Purchaser may change the Beneficiary or rollover a refund to another Beneficiary. The earnings portion of the refund will not be subject to federal income tax, if:

- the new Substitute Beneficiary is an Immediate Family Member of the prior Beneficiary, and
- in the case of a rollover, such rollover was made within 60 days of the refund.

A Contract Purchaser may rollover or transfer a refund to another Qualified Tuition Program for a different or the same Beneficiary. The earnings portion of the refund will not be subject to federal income tax if:

- the new Substitute Beneficiary is an Immediate Family Member of the prior Beneficiary,
- the rollover was made within 60 days of the refund,
- in the case of a transfer or rollover to an account of the same Beneficiary, the transfer or rollover does not occur within 12 months of a previous transfer or rollover to a Qualified Tuition Program for the benefit of the same Beneficiary.

The Contract Purchaser is responsible for determining whether the earnings portion of a transfer or rollover to PACT or to another Qualified Tuition Program meets the above rules for exclusion

from income for tax purposes, for substantiating the facts relating to the transfer or rollover to the IRS to the extent required by the IRS, and for reporting for federal income tax purposes any amount of earnings that is attributable to the transfer or rollover that must be included in income. A transfer or rollover from an account in another Qualified Tuition Program may have adverse tax consequences to you, including the recapture of previously allowed state income tax deductions and the loss of other state tax benefits.

Federal Gift and Estate Taxes: Contributions to PACT Contracts are considered completed gifts for federal estate and gift tax purposes. Generally, if the Contract Purchaser dies while there is monetary value of the PACT Contract, the value of the PACT Contract will not be included in the Contract Purchaser's estate (except in the situation described below relating to the gift tax exclusion election for contributions exceeding the limits applicable for any one year). However, refunds received on account of the death of the Beneficiary are, or may be, included in the gross estate of the Beneficiary for federal estate tax purposes.

PACT Contract payments made are potentially subject to federal gift tax payable by the Contract Purchaser. Generally, if a Contract Purchaser's payment for a Beneficiary in a single year, together with all other gifts by the Contract Purchaser to the Beneficiary in that year, are less than the gift tax annual exclusion amount the PACT Contract payments may not result in federal gift tax liability for the Contract Purchaser.

If a PACT Contract is transferred to a Successor Account Owner, there could be federal gift or estate tax consequences.

Hope Scholarship and Lifetime Learning Credits: You may be able to claim a Hope Scholarship credit or a Lifetime Learning Credit in the same year in which you receive PACT Contract Benefits for a Beneficiary. You should consult a qualified tax advisor regarding the availability of these credits.

MISCELLANEOUS

Reporting: PACT will provide an annual statement of your account. PACT is required by law to report to the IRS refunds and distributions. The Contract Purchaser is required to provide information needed to comply with any legal reporting requirements. The Contract Purchaser/Beneficiary is responsible for filing federal and state tax returns and any other reports required by law.

Special Petition: Any Contract Purchaser, corporation, or organization desiring to petition for relief from the Rules dictated herein may do so by filing a written petition to the Board.

Amendment of the Rules: The Board may promulgate such Rules as are deemed necessary to implement the PACT Program and may amend such Rules. Annually, the Rules will be published as part of the Disclosure Statement and made available at the Treasurer's website. It is the responsibility of the Contract Purchaser to review the Rules from year to year for amendments or additions.

How to Contact PACT: PACT is located in the RSA Union Building, 100 North Union Street, Suite 660, Montgomery, Alabama 36130. Brochures and applications are available from www.800alapact.com and the Treasurer's office. If you have any questions about PACT, please call 800-252-7228 or 344-242-7514.

PACT PRIVACY NOTICE

PACT respects the right to privacy. We also know that Contract Purchasers expect us to conduct business in an accurate and efficient manner. To do so, we must collect and maintain certain nonpublic personal information about the Contract Purchaser and Beneficiary. This is information we collect from Contract Purchasers on the application(s) or other forms, and from the transactions Contract Purchasers make with us or the PACT Records Administrator. We do not disclose any nonpublic personal information about you except as permitted by law. For instance, to effect transactions that you request or authorize, we may disclose information to companies that perform services on our behalf, such as printers. These companies will use this information only for the services for which we hired them, and are not permitted to use or share this information for any other purpose. To protect your nonpublic personal information internally, we permit access to it only by authorized employees, and maintain physical, electronic and procedural safeguards to guard this information.

2008 PACT RULES

SECTION 1 **DEFINITIONS**

Additional definitions and a list of Administrative Fees are available in the Disclosure Statement.

1.00 “Actuarial Assessment” means a contract amount assessed to compensate the Trust Fund for loss of earnings. For an unpaid or partially paid lump sum account, this amount will be 1% of the outstanding balance per month after the payment due date. For the reinstatement of a Monthly Payment Plan the Actuarial Assessment is the difference between the future value of the prescribed monthly payments and the future value of the payments actually made by the Contract Purchaser. The Actuarial Assessment for a change from the Extended Payment Plan to the 5-Year Payment Plan is the difference between the future value of the PACT Contract payments of each plan.

1.01 Contract – “Four-Year University” - means PACT benefits for the payment of Alabama instate public undergraduate Tuition of up to 128 semester hours and payment of Qualified Fees for up to eight (8) registrations on a semester system at all Eligible Educational Institutions.

1.02 Contract – “One-Year ” – means PACT benefits for the payment of Alabama instate public undergraduate Tuition of up to 32 semester hours and payment of Qualified Fees for up to two (2) registration on a semester system at all Eligible Educational Institutions.

1.03 “Current Tuition Value for the Four-Year Universities” means the weighted average (by resident headcount) of instate Tuition and Qualified Fees for the previous fall term (calculated annually on January 1) at the Alabama “Four-Year Universities”.

1.04 “Four-Year Universities” means Alabama regionally accredited public postsecondary educational institutions offering credit that leads to, at a minimum, a baccalaureate degree.

1.05 “Matriculation” means the process of enrolling and attending an Eligible Educational Institution.

1.06 “Qualified Fees” means those fees approved by the Board which are required as a condition of enrollment for all students attending the Eligible Educational Institution in which the Beneficiary is enrolled and is limited to the following: Building Fee, Facility Fee, Technology Fee, Learning Resource Fee, Administrative Fee, Registration Fee, Instructional Fee, Library Fee, Bond Reserve Fee, and General University Fee.

1.07 “Redemption Value” means the sum of PACT Contract payments made, less any Administrative Fees and benefits paid, plus 1% interest, as of the date of cancellation.

1.08 “Substitute Beneficiary” means an Immediate Family Member of the Beneficiary and named by the Contract Purchaser to receive, in place of the originally named Beneficiary, the benefits provided under the PACT Contract.

1.09 “Successor Account Owner” means an individual, named by the Contract Purchaser, who meets the requirements to be a Purchaser and becomes the owner of the PACT Contract upon the death of the Contract Purchaser.

1.10 “Tuition” means the basic undergraduate tuition charged by an Alabama public Eligible Institution, as certified by the institution.

SECTION 2 **ENROLLMENT**

2.00 PACT Enrollment Period -A PACT Contract may be purchased during the enrollment period which is October 1 through December 31. Applications accepted after the enrollment period will require applicable late fees and an Actuarial Assessment.

2.01 Application -Any individual, corporation, trust, charitable organization, or other entity desiring to enter into a PACT Contract on behalf of a Beneficiary must submit either physically or electronically, a completed and signed application during the enrollment period. A PACT application may be obtained from the Treasurer’s website at www.800alapact.com or by calling PACT at 1-800-ALA-PACT or 334-242-7514.

2.02 Participation and Payment Schedule -After review and acceptance of the application, the Contract Purchaser will be mailed a Participation and Payment Schedule which details information

submitted in the application. It is the Contract Purchaser's responsibility to verify the accuracy of this information and request any applicable changes within 60 days of receipt.

2.03 Projected College Entrance Date – At the time of application, the Beneficiary's Projected College Entrance Date corresponds to the Beneficiary's current age and/or grade as provided on the application. This date is provided in the Participation and Payment Schedule and should be verified by the Contract Purchaser. The Contract Purchaser may request a change in the Projected College Entrance Date by completing a Certification Form within 60 days of receipt of the Participation and Payment Schedule. Thereafter, a written request should be submitted to change the Projected College Entrance Date. Additional PACT Contract payments, as well as an Actuarial Assessment, will be applied if the date is changed to an earlier year.

SECTION 3

THE PACT CONTRACT

3.00 General-The PACT Contract shall consist of the completed application signed by the Contract Purchaser, the Participation and Payment Schedule, and the Disclosure Statement and Rules.

3.01 Contract Benefits – Benefits can be purchased for a "Four-Year University" Contract or a "One-Year" Contract.

3.02 Contract Term- Benefits under a PACT Contract may be received for up to a ten (10) year period after the Projected College Entrance Date of the original Beneficiary. This period will be extended per year of active military service by the Beneficiary.

3.03 Contract Term Expiration - If a PACT Contract has not been canceled or terminated within ten (10) years from the Projected College Entrance Date of the original Beneficiary, or from the actual college entrance date for an accelerated student, reasonable effort will be made to locate the Purchaser. If the Purchaser cannot be located, PACT will calculate the Redemption Value of the contract and will transfer this amount to the Unclaimed Property Division of the State Treasurer's Office according to Code of Alabama, Title 35, Chapter 12.

3.04 Contract Modifications-All requests by Purchasers for a modification of the PACT Contract provisions must be submitted in writing and must be accompanied by the applicable administrative fee. A list of these fees is available in the Disclosure Statement or at www.800alapact.com. Forms for PACT Contract modifications are available on line or by request from PACT.

3.05 Contract Conversions - Conversions between One-Year and Four-Year PACT contracts are not permitted.

3.06 Contract Prices- PACT Contract prices will be established by the Board for each enrollment period. PACT Contract prices do not include the application processing fee, but do include a nonrefundable account maintenance fee. After a Purchaser has entered into a PACT Contract, the PACT Contract price will not change, unless otherwise specified herein.

3.07 Termination of Contract Benefits – For a "Four-Year" University Contract or a "One-Year" Contract, the contract terminates when the Beneficiary uses all of the Tuition hours or 10 years from the original Beneficiary's Projected Enrollment Year.

SECTION 4

PACT CONTRACT PAYMENTS

4.01 PACT Contract Payments-PACT Contract payments are based on the age/grade of the Beneficiary. Monthly payments are calculated based on an implied rate of interest and include a monthly account maintenance fee.

PACT Contract payment schedules are as follows:

- (a) A lump sum payment due in full on February 1; or
- (b) Monthly payments over a period of sixty (60) months. The payments shall begin on February 1 and will continue on a monthly basis thereafter until the PACT Contract is fully paid. The amount of the monthly payment is specified in the Participation and Payment Schedule. The sixty (60) month payment option is not available for Beneficiaries who are in the eighth (8th) or ninth (9th) grade; or
- (c) Extended monthly payments beginning on February 1 and continuing on a monthly basis until May of the Projected College Entrance Date of the Beneficiary. The amount of the monthly payment is specified in the Participation and Payment Schedule.

4.02 Change in PACT Contract Payment Schedule – The Purchaser may request a change in payment schedule any time during the enrollment period through the 10th day of February without incurring a fee. After this time, a fee will be charged. Additional amounts may be due when changing from the extended to the five-year monthly plan.

4.03 PACT Contract Payment Grace Period – All PACT Contract payments are due on the first day of the month and are delinquent after the 15th day of the month. A late fee is assessed for all delinquent payments.

4.04 PACT Contract Payment Methods- The following payment methods are available to the Purchaser:

- (1) Payment by coupon book;
- (2) Automatic deduction from a bank account; or
- (3) Payroll deduction if offered by employer.

4.05 Early Payoff- Purchasers electing a monthly payment plan may pay off the plan early without penalty.

4.06 Advance Payments – The Purchaser can make payments larger than the specified payment amount or more frequently than monthly.

SECTION 5

PACT CONTRACT BENEFITS

5.01 Contract Benefits - Benefits will be based on the contract purchased. For all PACT Contracts, the academic equivalent units for Tuition hours and Qualified Fee payments will apply, if the college/university is not a semester system.

5.02 Non Traditional Studies - If the Beneficiary takes nontraditional courses, including, but not limited to, on-line studies, distance learning, study abroad, Internet/Web classes, independent study, or off campus study, payment will be made at the customary charge for basic Tuition, unless the charge is less, in which case the lesser amount will be paid.

5.03 Payment of Benefits - Alabama Public Eligible Educational Institutions – The Purchaser or Beneficiary must inform the Eligible Educational Institution that PACT Contract benefits are available. The institution has access to a website to verify eligibility. The institution will invoice PACT after the end of the official drop/add period. Payment is made directly to the Eligible Educational Institution for undergraduate Tuition/Qualified Fees only.

5.04 Payment of Benefits - Alabama Independent/Private, an Out-of-State or Foreign Eligible Educational Institution- Payment will be made based on the Current Tuition Value of the contract purchased. The payment will not exceed the actual cost of undergraduate Tuition and Qualified Fees. Payment is made directly to the Eligible Educational Institution. A processing fee is deducted from the amount paid each term.

Payment of PACT Contract benefits to these institutions will be made only when all of the following have occurred:

- (1) The Purchaser or Beneficiary has submitted a written request providing information on the Eligible Educational Institution the Beneficiary will attend. The request should be submitted no less than sixty (60) days in advance of the first academic term for which PACT Contract benefits are to be paid; and
- (2) PACT has received a valid invoice from the Beneficiary's institution after the end of the official drop/add period; and
- (3) For foreign institutions, the institution must agree to accept payment in United States currency.

5.05 Payment of Benefits - Multiple Contracts – For multiple contracts for the same Beneficiary:

- (1) Benefits will be paid from each contract in the order the contracts were received and processed by PACT.
- (2) Each contract must be depleted of Tuition hours before the next contract can be used.

5.06 Advancement of PACT Contract Benefits. – PACT Contract benefits can be used up to three (3) years in advance of the Projected College Entrance Date of the original Beneficiary. However, the ten year period for the use of benefits will commence on the advanced Projected College Entrance Date. The Purchaser should provide written notice 60 days in advance and the

PACT Contract must be paid in full.

If the Beneficiary advances in school after the PACT Contract is purchased or elects to take college courses while attending high school, there will be no adjustment in the PACT Contract payment schedule and no additional payment will be required.

5.07 Identification for Beneficiaries - A list of Beneficiaries is made available to the colleges/universities in the State of Alabama.

5.08 Payment of Benefits/No Adjustment -Any credit hours paid on behalf of a Beneficiary reduce the remaining available credit hours under the PACT Contract, even if the credit hours are not counted toward a college degree. Once an invoice has been paid, there will be no adjustment to the Beneficiary's account unless an error was made by the Eligible Educational Institution.

5.09 Payment of Backdated Invoices - The Purchaser is responsible for instructing the Eligible Educational Institution to invoice PACT on behalf of the Beneficiary. PACT will not pay previous invoices submitted for payment more than a year from the date of the term when the benefits were received.

5.10 Scholarship - If the Beneficiary receives a scholarship, the Purchaser can request any of the following:

- (1) For the institution to invoice PACT for Tuition/Qualified Fees;
- (2) To transfer the benefits to a Substitute Beneficiary who does not have a PACT Contract; or
- (3) Cancellation of the PACT Contract. The cancellation fee will be waived.

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SECTION 6

PACT CONTRACT PURCHASER/OWNERSHIP

6.00 Purchaser Eligibility -The Purchaser of a PACT Contract may be a natural person, a corporation, a trust, or a charitable organization. The Purchaser, if a natural person, must be nineteen (19) years of age or older, or must be represented by a court appointed conservator or guardian, or a trustee, or a designated custodian under the provisions of Title 26-2-20, Code of Alabama, 1975, (as last amended). (See Section 12 for Entities.)

6.01 Nonacceptance of the Purchaser's Application -A prospective Purchaser may be denied a PACT Contract if:

- (1) The proposed Beneficiary is not an eligible Beneficiary;
- (2) The Purchaser fails to submit the application during the enrollment period;
- (3) The Purchaser refuses to submit an application with complete information, or the Application Fee, or to sign the application;
- (4) The Board limits the number of PACT Contracts sold.

6.02 Purchaser's Rights - The following are rights reserved strictly for the Purchaser:

- (1) Voluntary cancellation of the PACT Contract or reinstatement;
- (2) Right to any Refund;
- (3) Right to make changes to the PACT Contract;
- (4) Right to restrict the use of PACT Contract benefits;
- (5) Online access to the PACT Account(s) (Available once an account has been established through a link at www.800alapact.com).

6.03 Number of Purchasers per PACT Contract-Only one (1) individual or entity may be named on each PACT application and in the PACT Contract as the Purchaser. Joint Purchasers are not permitted. However, a Successor Account Owner may be designated by the Purchaser.

6.04 Transfer of PACT Contract Ownership -All requests to transfer ownership of the PACT Contract to another qualified Purchaser must be submitted on the official form. If the current Purchaser has died and cannot furnish a signature, proof of death and a copy of the section from the will evidencing the authority to make the change or Letters Testamentary or Letters of Administration, must accompany the request for a change in Purchaser. A fee is charged for this service. This fee is waived for death of the Purchaser.

6.05 Successor Account Owner - If a Successor Account Owner is named on the account, the transfer of ownership will occur when a copy of the death certificate of the Purchaser is received. A form to name a Successor Account Owner can be requested from PACT or obtained on line and no fee is required. The Successor must meet the eligibility requirements for a Purchaser.

6.06 On Line Access to PACT Accounts – The Purchaser is the only authorized person who can request on line access to a PACT Account. A password is provided to the Purchaser for access and it is the sole responsibility of the Purchaser to keep it secure and confidential. PACT accepts changes to an account in writing signed by the Purchaser, or electronic changes and forms submitted online from the Purchaser through the authorized PACT website where the identity of the Purchaser is ascertainable through the authorized password or other methods established by PACT.

SECTION 7 **BENEFICIARY**

7.00 Beneficiary Eligibility–An individual may be named the original Beneficiary of a PACT Contract if such individual meets ALL of the following requirements:

- (1) The individual is under the age of eighteen (18) on the first day of the PACT enrollment period; and
- (2) The individual has not completed the ninth (9th) grade as of the first day of the PACT enrollment period in question; and
- (3) The individual has been born at the time the application is submitted or will be born no later than August 31. and
- (4) The individual is a U.S. citizen, a permanent resident alien, or a dependent of a U.S. citizen or of a permanent resident alien.

7.01 Beneficiary Substitutions–The benefits of a PACT Contract may be transferred to an eligible Substitute Beneficiary. A fee is charged for this service, and is waived for death of the Beneficiary. All requests for a “Beneficiary Substitution” must be submitted on the official form which is available at www.treasury.alabama.gov.

To qualify, the Substitute Beneficiary must meet all of the following requirements:

- (1) Must be born; and
- (2) Must be an Immediate Family Member of the original Beneficiary; and
- (3) Must assume the same ten year period for the use of PACT Contract benefits as the original Beneficiary.

Furthermore, if the original Beneficiary has utilized PACT Contract benefits, the following additional requirement applies:

- (4) There must be at least fifteen (15) semester hours of Tuition remaining.

If the substitution occurs before the Projected College Entrance Date of the Beneficiary and the substitute Beneficiary is older than the original Beneficiary, an Actuarial Assessment will be assessed. In the event of a Beneficiary substitution to a younger Beneficiary, monies previously paid to PACT will not be refunded.

7.02 Use of Benefits - No benefits will be paid for the Substitute Beneficiary prior to the date of the substitution.

7.03 Beneficiary – The Beneficiary is the only individual eligible to receive PACT Contract benefits

SECTION 8 **CANCELLATION/REINSTATEMENT**

8.01 Voluntary PACT Contract Cancellation –The Purchaser can request cancellation of a PACT Contract at any time by providing a signed written request.

8.02 Involuntary PACT Contract Cancellation – A PACT Contract will be automatically cancelled and a refund issued if PACT Contract payments are 6 months (180 days) in default or if no payment is received within 45 days of the first payment due date.

8.03 Reinstatement of a PACT Contract - A PACT Contract can be reinstated within six months of the date of cancellation. The amount required to bring the account current includes the total of all outstanding payments to date, all outstanding fees and an Actuarial Assessment.

SECTION 9 **REFUNDS/OVERPAYMENTS**

9.00 General - Refunds will be paid to the Purchaser.

9.01 Refund Amount –PACT Contract refund amounts will be the Redemption Value of the PACT Contract. Interest refunded is subject to tax and may be subject to a federal tax penalty. Additional information is available in the Disclosure Statement under “Tax Considerations”.

9.02 No Refund - If the Beneficiary achieves a baccalaureate degree in fewer than the maximum number of credit hours provided under a PACT Contract, a refund will not be available.

9.03 Refund in the Event of Death or Disability, Receipt of a Full or Partial Scholarship or Admittance to a Military Academy - In any of these events, the Cancellation Fee will be waived.

9.04 Refunds for PACT Contract Purchased Prior to 1996 - For PACT Contracts purchased prior to 1996, cancellation based on death/disability of the Beneficiary, or Matriculation in a Military Academy or foreign institution, will result in a refund as defined in the Rules of the year the PACT Contract was purchased. The refund is the contract purchase amount with the Weighted Average Tuition rate applied from the date of purchase to the cancellation.

9.05 Refund Resulting from Overpayment - Once a PACT Contract is paid in full, any overpayment will be refunded to the Purchaser.

SECTION 10

ROLLOVERS

11.01 Rollover to PACT from Another Qualified Tuition Program - PACT will accept rollovers from Qualified Tuition Programs, provided a PACT account has already been established and the appropriate form is completed.

11.02 Rollover from PACT to Another Qualified Tuition Program - A Purchaser may submit a written request for cancellation of the PACT Contract. A refund check will be issued to the Purchaser. The cancellation letter from PACT may serve as documentation for the transfer to another Qualified Tuition Program.

SECTION 11

SPECIAL PETITION

11.00 General-Any aggrieved Purchaser or entity desiring to petition for relief from the Rules, may do so by submitting a written petition to the Board. The response to the petition will be in writing to the Petitioner and will be made within ninety (90) days of receipt.

11.01 - Requirements - The following information is required in the petition:

- (1) The name and address of the person requesting relief;
- (2) The specific nature of the relief requested and the specific Rule;
- (3) The name and address of Purchaser and Beneficiary on the disputed PACT Contract;
- (4) The PACT Contract account number(s) in question;
- (5) The Social Security number/Tax Identification number of Beneficiary and Purchaser;
- (6) The date and sworn signature of the petitioner.

SECTION 12

QUALIFIED ENTITIES

12.00 General- For the purpose of these Rules, the term "Entity" shall mean any corporation, trust, charitable organization, or any other business or organization which is not a natural person.

12.01 Application of the Rules - Unless specifically exempted herein, all Rules pertaining to Purchasers and Beneficiaries apply.

12.02 Naming the Beneficiary-An Entity which purchases a PACT Contract is not required to name the Beneficiary at the time the application is submitted. However, if the Entity submits an application for an unnamed Beneficiary, a Projected College Entrance Date for the unnamed Beneficiary must be specified on the application. The age of the unnamed Beneficiary on the application will be the normal age for a Beneficiary expected to enter college in the academic school year corresponding to the Projected College Entrance Date. For purposes of PACT, the unnamed Beneficiary will be called either "John Doe" or "Jane Doe." The Beneficiary should be named not less than six (6) months prior to the Projected College Entrance Date specified by the Entity on the application.

12.03 Application- The application must be accompanied with Articles of Incorporation or the Declaration Page of the Trust, whichever is applicable. Furthermore, the Entity must provide its Taxpayer Identification number on the application, and the application must be complete in all other respects.



pact

Pre-pay a Child's Tuition

2008 Prepaid Affordable College Tuition (PACT) Application

October-December

SECTION I: Information On Purchaser (Only one Name):

Complete this section for the Purchaser. The Purchaser is the person who controls the account, names the Designated Beneficiary and receives the account statements. The Purchaser must be at least 19 years old.

Name: ☐ Mr. ☐ Mrs. ☐ Ms. LAST FIRST MI

Address NUMBER AND STREET INCLUDING APT. #

CITY ST ZIP

Date of Birth AREA CODE

Home Telephone

Social Security Number AREA CODE

Work Telephone

E-mail Address

SECTION II: Information on Successor Account Owner (Optional)

The Successor Account Owner is the individual named to become the Purchaser upon death of the original purchaser named above and must be 19 years old.

Name: ☐ Mr. ☐ Mrs. ☐ Ms. LAST FIRST MI

Address NUMBER AND STREET INCLUDING APT. #

CITY ST ZIP

Date of Birth AREA CODE

Home Telephone

Social Security Number AREA CODE

Work Telephone

SECTION III: Information on Beneficiary

The Beneficiary is the individual who will receive the contract benefits. If the child is not born (but will be born before September 1, 2009), enter "unborn" as the child's name.

Name: ☐ Mr. ☐ Ms. LAST FIRST MI

Address (if different from Purchaser) NUMBER AND STREET INCLUDING APT. #

CITY ST ZIP AREA CODE

Social Security Number Date of Birth

Check the beneficiary's current grade or age with the corresponding projected college entrance year as of September 1, 2008.

- | | | |
|--|--|---|
| <input type="checkbox"/> Newborn – born between 9/1/08 and 9/1/09 – 2027 | <input type="checkbox"/> Age 5 – 2021 | <input type="checkbox"/> Fifth Grade – 2016 |
| <input type="checkbox"/> Infant – 2026 | <input type="checkbox"/> First Grade – 2020 | <input type="checkbox"/> Sixth Grade – 2015 |
| <input type="checkbox"/> Age 1 – 2025 | <input type="checkbox"/> Second Grade – 2019 | <input type="checkbox"/> Seventh Grade – 2014 |
| <input type="checkbox"/> Age 2 – 2024 | <input type="checkbox"/> Third Grade – 2018 | <input type="checkbox"/> Eighth Grade – 2013 |
| <input type="checkbox"/> Age 3 – 2023 | <input type="checkbox"/> Fourth Grade – 2017 | <input type="checkbox"/> Ninth Grade – 2012 |
| <input type="checkbox"/> Age 4 – 2022 | | |

Please indicate the number of contracts you are purchasing below for the beneficiary in Section III. If multiple one year contracts are purchased for the same beneficiary and purchaser, only one \$100 application fee is required.

☐ \$100.00 ☐ None ☐ Other _____ Check Number _____ Check Amount _____ Related Apps _____